GOVERNMENT OF INDIA
COMMERCE AND INDUSTRY
LOK SABHA

UNSTARRED QUESTION NO:3479
ANSWERED ON:21.12.2015
Export Oriented Units
Thakur Shri Anurag Singh

Will the Minister of COMMERCE AND INDUSTRY be pleased to state:

a) the details of Export Oriented Units (EOUs) presently functional in the country, State/UT-wise;

b) whether the number of EOUs has reduced during the last three years and the current year and if so, the details thereof, year-wise and the reasons therefor;

c) whether there are certain issues concerning EOU scheme and if so, the details thereof along with the steps taken by the Government to address them;

d) whether the Government has set up a committee to review, remodel and revamp EOU scheme and if so, the details thereof along with the recommendations made by the committee and the action taken by the Government thereon; and

e) whether the Government has conducted any financial study or comparative study between Special Economic Zone, Export Oriented Units and Domestic Tariff Area Units and if so, the details thereof and if not, the reasons therefor?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF COMMERCE AND INDUSTRY (INDEPENDENT CHARGE)
(SMT. NIRMALA SITHARAMAN)
(a) : The details of Export Oriented Units (EOUs) presently functional in the country State/UT-wise as on 15.12.2015 are as under:

State/UTs	Units	State/UTs	Units	State/UTs	Units	State/UTs	Units
A & N Island	3	Goa, Daman & Diu	37	Maharashtra	224	Sikkim	0
Andhra Pradesh	83	Gujarat	196	Manipur	0	Tamil Nadu	410
Arunachal Pradesh	0	Haryana	65	Meghalaya	1	Telangana	171
Assam	0	Himachal Pradesh	5	Mizoram	1	Tripura	0
Bihar	1	Jammu & Kashmir	2	Nagaland	0	Uttar Pradesh	57
Chandigarh	3	Jharkhand	2	Orissa	10	Uttrakhand	2
Chhattisgarh	1	Karnataka	446	Pondicherry	13	West Bengal	55
Dadra & Nagar Haveli	20	Kerala	77	Punjab	10	Yanam	0
Delhi	17	Madhya Pradesh	8	Rajasthan	57	Total	1977

(b) : The number of EOUs has reduced during the last three years and current year. The details are as below:

Year	Number of Functional EOUs
2012-13	2193
2013-14	2141
2014-15	2096
2015-16	1977

The main reason for exit of EOUs is due to discontinuation of Income Tax benefits under Section 10B of Income Tax Act w.e.f. 1.4.2011.

(c) : There was an issue of reimbursement of Central Sales Tax (CST) paid by EOUs on purchases made from another EOU. The issue has been resolved by amending the Appendix 6H of FTP 2015-20 which now allows reimbursement of CST on purchases made by an EOU from another EOU.

(d) : A Review and Revamp Committee for EOU was set up under the chairmanship of Shri S. C. Panda, the then Development Commissioner, Noida SEZ in December 2010 to review and revamp the EOU Scheme with a mandate to suggest suitable steps to make the scheme more vibrant and attractive for investors, develop a synergy between EOU Scheme and SEZ Scheme and aligning the EOUs to make them more globally competitive. The Committee, in the July 2011, gave 32 recommendations to revamp the EOU Scheme which were examined and 8 recommendations were accepted by Department of Commerce in January 2014.

Details of the recommendations made by the Committee and recommendations accepted are furnished in Annexure.

(e) : No, Madam. The benefits provided to SEZ units, EOUs and DTA units cannot be compared. Therefore, the Government has not conducted any financial study or comparative study between Special Economic Zone, Export Oriented Units and Domestic Tariff Area

Units.

Annexure to Lok Sabha Unstarred Question No. 3479 for 21st December, 2015

Recommendation of Revamp Committee:

S.No. Recommendation of Revamp Committee
1. To extend Investment linked Income Tax benefit
2. To allow exemption from Customs & Central Excise duty to all goods & services
3. To exempt Service Tax on services consumed wholly within EOUs
4. To exempt CST on goods supplied to EOUs
5. To exempt State levies on the goods supplied to EOUs
6. To rationalize administrative mechanism for setting up EOU and for efficient coordination
7. To rationalize power for approval of the proposals for setting up EOUs
8. To dispense with the minimum investment criteria for setting up EOU
9. To align validity of the period of the LOP issued to EOU
10. To align duration of goods and services in EOU with the term of LOP
11 To allow broad banding of operations and activities in the EOU
12. To expand scope of reconditioning / repair under para 6.16 of FTP
13. Allowing warehousing facilities outside EOU premises and jurisdiction of DC
14 I To define "similar goods" for DTA sale by EOUs
14 II. To allow DTA sale by EOU on payment on full duty without any rider of NFE
14 III To allow DTA sale of by products / waste & scrap within DTA entitlement
14 IV To exclude wholly exempted goods from computation in DTA entitlement
15 To align deemed exports supplies for EOUs at par with SEZ unit & DTA supplier
16. To rationalize fixation/amendment of SION for EOU
17. To allow sharing of facilities among EOUs
18. I To simplify job work procedure
18. II To allow EOU to undertake job work for DTA purpose
18. III To allow direct delivery of raw material to sub-contractor
19. I To allow transfer of services from one to another EOU without payment of service tax
19. II To allow inter unit transfer (IUT) of inputs among the group companies
19. III To allow return of goods/services to unit, in case of rejection, without payment of duty
19 IV To lay down uniform procedures for Inter-Unit Transfer (IUT) of finished goods
20. To allow procurement of spares & components for after sales-service in DTA
21. To dispense with the Procurement Certificate and CT-3 prior to procurement of goods
22 To reduce ceiling for self warehousing and self certification of goods by EOUs
23. To dispense with Cost Recovery charge for services of Customs & C.Ex. officers
24. To rationalize criteria for unblemished trade record
25. To allow transfer of goods for repair / replacement, testing or calibration
26. To rationalize report/return to be filed by EOUs
27. To extend time for submitting shipping bill for export under self sealing/ certification
28. To allow credit facility against EEFC balances
29. To allow retention of 100% export earning in EEFC account
30. Power & functions of BOA and UAC under the IDR Act and FTDR Act
31. To empower BOA as policy relaxation and Grievance redressal body for EOUs
32. I Increase duty free procurement of spares to 15% from 5% for EOUs in granite sector
32. II To allow removal of duty free spares to granite quarry site

Following recommendations have been accepted by the Department:
Validity of the period of Letter of Permission (LOP) issued to EOU: LoP issued to an EOU will have an initial validity for a period of 2 years to enable the Unit to construct the plant and install the machinery. The next extension of one year may be given by the DC for valid reasons to be recorded in writing. Subsequent extension of one year may be given by the UAC subject to condition that two-thirds of activities including construction, relating to the setting up of the Unit are complete and a Chartered Engineer's certificate to this effect is submitted by the Unit. Subsequent extension, if necessary, will be granted by the Board of Approval.
Aligning duration of goods and services in EOU with the term of LOP: At present, capital goods are required to be installed or otherwise used by the EOU, within a fixed period from the date of import or procurement thereof and other goods are to be used in connection with the production or packaging of goods within a period of three years. In case of failure to use within above stated period, extension is required. It has now been decided that the period of usage of goods should be co-terminus with the period of LOP. This would do away with the current practice of obtaining multiple extensions for goods and LOP separately.
Setting up warehousing facilities outside EOU premises and outside the jurisdiction of DC: EOUs which intend to have their warehouses near to the port of export to reduce lead time for delivery of goods overseas and to address unpredictability of supply orders will now be permitted to set up such warehouses subject to the provisions related to export warehousing as given in notification No. 46/2001-Central Excise(N.T.) dated 26.6.2001 and the CBEC Circular No. 581/18/2001-CX dated 29.6.2001 as amended.
Sharing of facilities among EOU/STP/EHTP/SEZ Unit: In order to allow optimal utilization of infrastructure facilities it has been decided that sharing of facilities among EOUs may be considered by the UAC on case-to-case basis and the recommendations be sent to the BoA for final approval. While accepting such proposals, the NFE obligations of the Units shall not be altered. However, sharing of facilities between EOUs and SEZs Units should not be permitted.
Inter-Unit transfer (IUT) of goods & services : In order to facilitate a group of EoUs which sources inputs centrally to obtain bulk discount, reduce cost of transportation and other logistics cost and to maintain effective supply chain, IUT of goods and services will be permitted on a case to case basis by the UAC.

Further, the procedure for Inter-Unit Transfer (IUT) of finished goods will be clarified by CBEC in order to bring uniformity in the practices and procedure adopted by various field offices.

Self-warehousing and self-certification of goods imported/procured by EOUs: The scheme of self-warehousing and self-certification was introduced vide Circular No. 19/2007- Cus. dated 3.5.2007 dispensing with the requirement for physical verification of imported/indigenously procured duty-free goods before issuing re-warehousing certificate by the proper officer in respect of Units set up under EOU/EHTP/STP/BTP scheme having physical export turnover of Rs.15 Crore and above in the preceding financial year and having a clean track record. In order to extend self-warehousing and self-certification facility to more Units, it has been decided to reduce the limit of physical turnover from Rs 15 Crore to Rs 10 Crore.

Rationalization of reports/ returns to be filed by EOUs: EOUs submit Quarterly Performance Report (QPR) and Annual Performance Report (APR) to the Development Commissioners and monthly return ER-2 to Central Excise. In order to reduce multiplicity of these reports, a common return to DoC and DoR would reduce paperwork for the EOUs. It has, therefore, been decided that a single common report/return may be devised which may serve the purpose for DoC as well as DoR. A joint group of DoC and DoR including Director General of Systems, CBEC will be formed to devise a proforma exhaustively capturing all the data and figures relating to export, import, DTA sale, deemed export sale, IUT, sale of goods as such, destruction, payment of duty etc. and devise simplified records to be maintained by EOUs.

Extension of time for submitting shipping bill for export made under self-sealing / self-certification: It has been decided to increase the mandatory requirement to submit Shipping Bill within 24 hrs to 48 hrs as it is sometimes difficult to reach jurisdictional Central Excise office within 24 hrs from the port of export.

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